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OFFICE OF THE ATTORNEY GENERAL
STATE OF ILLINOIS

Jim Ryan

ATTORNEY GENERAL

VIA EXPRESS MAIL

April 27, 1999

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APR 28 1999

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Ms. Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
The Portals, 445 Twelfth St., N.W.
Washington, D.C. 20554

RE: SBC Communications Inc. and Ameritech Corporation
CC Docket No. 98-141
Ex Parte

Dear Ms. Salas:

I enclose the Comments of the Illinois Attorney General on the proposed merger of SBC and Ameritech. Please associate this document with the above-entitled docket.

These Comments are filed to adopt the substantive analysis contained in the Comments of the Attorneys General of Indiana, Michigan, Missouri and Wisconsin, filed with the Commission on or about April 26, 1999. We agree that the merger as proposed will have a significantly adverse effect on competition and on the public interest, because it will eliminate SBC and Ameritech as uniquely qualified local exchange competitors in each other's service territories. While concurring with the aforementioned Attorneys General with respect to the effects of the merger, we offer a different remedy to minimize the merger's adverse impact on competition and the public interest. We also encourage the FCC's active involvement in the formulation of competition-enhancing conditions as the appropriate response to the SBC-Ameritech proposal.

We are filing the original and one copy of this letter, in accordance with the Commission's rules.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward Washington, II".

Edward Washington, II
Chief, Public Interest Division

Via facsimile to: Jonathan Radin
Common Carrier Bureau
cc: Attached Service List

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**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

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In the Matter of)
)
Applications For Consent To)
The Transfer of Control of Licenses)
And Section 214 Authorizations From)
AMERITECH CORPORATION,)
Transferor,)
To)
SBC COMMUNICATIONS, INC.)
Transferee)

CC Docket No. 98-141

COMMENTS OF THE ATTORNEY GENERAL OF ILLINOIS

These comments are filed on behalf of the Illinois Attorney General to represent the views of this office with respect to the proposed merger of SBC Communications, Inc. ("SBC") and Ameritech Corporation ("Ameritech"). As is the case with other state Attorneys General, this office has the responsibility to investigate proposals such as the SBC-Ameritech transaction to determine how proposed changes in telecommunications industry market structure could impact the state of competition nationwide and how the public interest might best be protected in light of these changes.

The Illinois Attorney General has been an active participant in discussions with the Attorneys General of various other states, analyzing and evaluating the possible competitive impacts of the proposed merger. Working with these other states and cooperating with the Department of Justice's investigation, this office has contributed to the analysis of the antitrust and public interest issues implicated by the merger, as reflected in comments recently filed with this Commission by the state Attorneys General of Wisconsin, Missouri, Indiana and Michigan (hereinafter "AG Group"). A report prepared by expert economists Dr. Gregory Rosston, of Stanford University and Dr. Matthew Mercurio, of Economists, Inc., filed as a supporting affidavit to the AG Group Comments, was also

the subject of discussions that included representatives of the Illinois Attorney General. Although we came to the same conclusions as did our AG colleagues with respect to the merger's more troubling anticompetitive aspects, we offer a slightly different approach to what the best remedies might be.

The Illinois Attorney General adopts the substantive analysis contained in the Comments filed by the AG Group on the potentially anticompetitive impact of the merger. The Comments accurately describe competitive efforts occurring just prior to the announcement of the proposed merger -- Ameritech's "Gateway" project targeted to initiate local exchange competition with SBC in St. Louis, Missouri; Ameritech's Managed Local Access project, designed to capture major local exchange business customers nationwide; SBC's plans to enter Ameritech Illinois' local exchange service territory in Chicago through its substantial cellular telephone customer base; and the competitive imperative toward out-of-region local exchange competition previously identified by SBC executives to the FCC -- that likely would have proceeded absent the merger. These initiatives represented tangible efforts by two Regional Bell Operating Companies to engage in competition for both business and residential customers in each other's telecommunications markets, markets that would otherwise have remained monopolized by incumbent local exchange carriers.

Besides depriving the market of the positive effects of competition between incumbent local exchange carriers, the proposed merger almost certainly ensures that local telecommunications markets -- and the consumers they serve -- will be negatively impacted before regulators have an opportunity to react. SBC's and Ameritech's control over "the last mile" of interconnection -- the telephone wires that reach the individual subscriber in his or her home or business -- currently equips each of them with undeniable market power that consolidation will only enhance, with the expected chilling effect on new competitors and the real price-constraining competition their entry into each other's markets might otherwise promise. The claimed competitive benefits of the "National-Local

Strategy,” touted by SBC and Ameritech as a pro-competitive plan to enter local exchange markets nationwide, are inherently speculative, and not likely to reach the average consumer in SBC’s and Ameritech’s home regions in the near future, if at all.

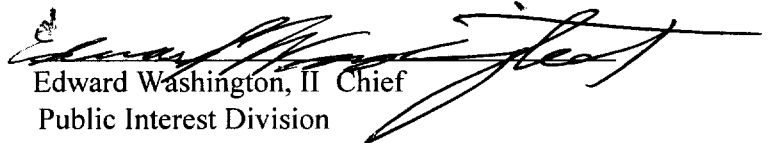
The Illinois Attorney General also agrees with the AG Comments’ conclusion that the FCC is uniquely qualified to fashion conditions designed to protect the public from these and other potentially negative consequences of telecommunications mergers. Further reducing the number of RBOCs, as this Commission has noted, would raise serious public interest concerns. The FCC, unlike the courts, may impose conditions on its approval of this merger designed to address those concerns without delaying the merger’s potential benefits to consumers.

While we endorse the AG Group’s substantive analysis of the problems which the merger poses, this office believes that crafting conditions to refashion the merger are the most appropriate response to the SBC-Ameritech proposal. The Illinois Attorney General, in his filings with the Illinois Commerce Commission, has described certain conditions that this Commission may wish to consider that will recast the merger’s likely effects to coincide more closely with that of the public interest. For example, reporting requirements should be adopted which would allow the FCC, state regulators, competitive carriers, and other interested parties to monitor levels of service provided by Ameritech and SBC to their affiliates, and to other CLECs. This would have the immediate effect of keeping the FCC informed, on a regular basis, of actual performance on market-opening activities. The FCC should also initiate a rigorous collaborative process to resolve any outstanding Section 271 or 251 issues. Since SBC and Ameritech have stated that they require long-distance authority in-region to implement their National-Local Strategy, a collaborative process would advance, not hinder, their business plans. Conducted on a regional basis, such collaborative processes would prevent critical competitive issues from stagnating and would operate as yet another ongoing monitor of actual progress toward increased local exchange competition. The Illinois Attorney General’s

Office believes that diligent oversight has the potential to advance competition in substantive ways and set a standard for RBOC performance nationwide.

Respectfully submitted,
THE PEOPLE OF THE STATE OF ILLINOIS
James E. Ryan, Attorney General

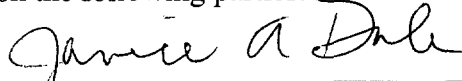
By:


Edward Washington, II Chief
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Dated: April 27, 1999

CERTIFICATE OF SERVICE

I, Janice A. Dale, do hereby certify that on this 27th day of April, 1999, copies of the attached "Comments of the Attorney General of Illinois" and accompanying cover letter were served by first class mail, postage prepaid, on the following parties.



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